

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 202 – SB 1607

February 12, 2021

SUMMARY OF BILL: Authorizes the State Insurance Committee to provide 80 percent of the scheduled premium or defined contribution for health insurance benefits to Tennessee Highway Patrol (THP) retirees with at least 25 years of service. Applies to individuals retiring on or after January 1, 2021.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$5,500/FY21-22
\$11,300/FY22-23
\$17,600/FY23-24
\$24,300/FY24-25
\$31,400/FY25-26
\$39,000/FY26-27
\$47,100/FY27-28
\$55,700/FY28-29
\$64,900/FY29-30

Exceeds \$74,600/Each FY30-31 through FY39-40

Other Fiscal Impact – The increase in state expenditures is estimated to reach a maximum in FY39-40, after which the increase in state expenditures will decline each year and approach not significant in FY51-52.

Assumptions:

- Pursuant to Tenn. Code Ann. § 8-27-205(b)(1), state employee retirees with:
 - 30 or more years of service receive 80 percent of the scheduled premium or defined contribution; and
 - 20 years of service, but less than 30 years of services receive 70 percent of the premium.
- The proposed legislation will result in an increase in the state subsidy for THP members who retire with at least 25 years of service, but less than 30 years of service.
- Based on information provided by the Department of Finance and Administration Division of Benefits, this analysis assumes:
 - The average age of a retiree with 25 years of service will be 53 years old, retiree and will not be eligible for Medicare benefits;
 - Distribution among health benefit plans will remain the same;

- Four THP per year will qualify for the enhanced subsidy and retire with 25 years of service; and
- Retirees will only receive the enhanced subsidy for 12 years before reaching 65 years of age and qualifying for Medicare benefits.
- The current annual aggregate difference between the 70 percent and 80 percent subsidies is \$1,368.
- The average increase in premium rates over the last three years was 3.4 percent. For purposes of this analysis, it is assumed there will be an increase in premiums of 3.5 percent that will remain constant.
- The precise fiscal impacts in the 10 years following FY30-31 are difficult to determine due to multiple unknown factors; however, as premiums are expected to continue to increase, it is reasonably estimated that the total increase in state expenditures in that period will continue to increase each year.
- The table below shows the estimated number of THP retirees who will qualify for the enhanced subsidy and retire with 25 years of service and the total estimated increase in state expenditures each year.

Fiscal Year	Number of Retired THP	Difference in Subsidy Per Retiree with 3.5% Increase in Premiums	Total Increase in State Expenditures
FY21-22	4	\$1,368	\$5,472
FY22-23	8	\$1,416	\$11,327
FY23-24	12	\$1,465	\$17,585
FY24-25	16	\$1,517	\$24,267
FY25-26	20	\$1,570	\$31,396
FY26-27	24	\$1,625	\$38,994
FY27-28	28	\$1,682	\$47,085
FY28-29	32	\$1,740	\$55,694
FY29-30	36	\$1,801	\$64,849
FY30-31 thru FY39-40	Exceeds 40	Exceeds \$1,865	Exceeds \$74,577

- Pursuant to Tenn. Code Ann. § 8-27-205(e), retiree health benefits are not available to any employee hired on or after July 1, 2015. Therefore, the increase in state expenditures is estimated to reach a maximum in FY39-40, after which the increase in state expenditures will decline each year and approach not significant in FY51-52.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

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